

KEY SERVICE INSIGHTS



ACCOUNTING AND BOOKKEEPING NEWSLETTER

HOW LIABILITIES AFFECT BUSINESS HEALTH: WHAT SMALL AND MIDSIZE COMPANIES NEED TO KNOW

Importance of the Balance Sheet

The information found on a company's balance sheet is among the most important information for a business leader, regulator, or potential investor to understand. Without this knowledge, it can be challenging to know whether a company is struggling or thriving, highlighting the importance for decision makers to understand the balance sheet. Understanding what is a liability and how liabilities are reported on a balance sheet is of critical importance.

What Is a Liability?

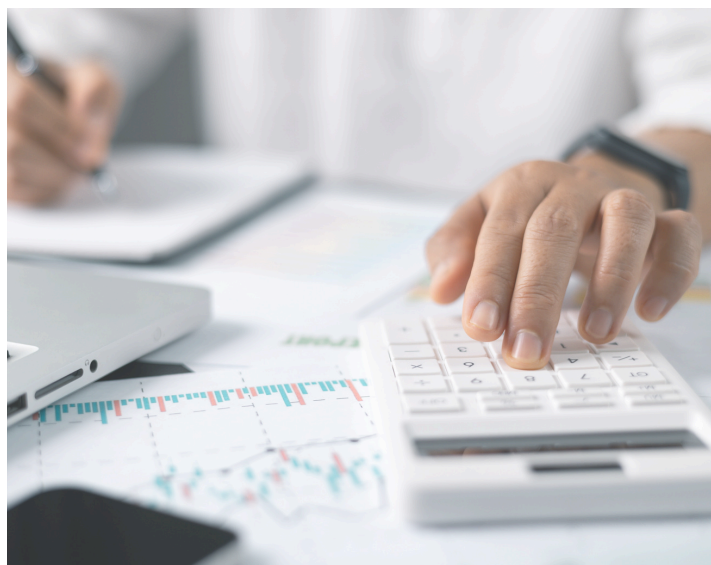
A liability is the opposite of an asset. While an asset is something a company owns, a liability is something the company owes. Liabilities are financial and legal obligations to pay an amount of money to a creditor, which is why liabilities are typically recorded as a negative on the balance sheet.

Types of Liabilities

Current Liabilities

Current liabilities are a liability that is required to be paid by the company within one year. These liabilities include:

- Payroll expenses
- Rent payments
- Utility payments
- Debt financing
- Accounts payable
- Other accrued expenses



Noncurrent Liabilities

Noncurrent liabilities are any long-term obligations or debts which will not be due within one year. These liabilities include:

- Leases
- Loans
- Bonds payable
- Provisions for pensions
- Deferred tax liabilities

Liabilities may also include obligations to provide goods or services in the future.

Why Understanding Liabilities Matters

Understanding liabilities on a balance sheet is crucial because it provides a clear picture of a company's financial obligations, revealing its debt levels, solvency, and overall financial health. This allows stakeholders like executives

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and directors, investors, and creditors to assess the company's ability to meet its short-term and long-term financial commitments and make informed decisions about its financial stability.

Our Commitment to Clients

As part of our services to our clients, we want to provide simplified information as to the information on the company's financial statements so they can better understand the significance of the financial statements that are being prepared with the goal of

empowering our clients to be more informed and make better decisions.

We focus on representing small and mid-size businesses. We advise our clients as to the implications of their financial statements and empower our clients to make informed decisions about the direction of their company based in part on the financial statements. At Praestans, we can handle these important accounting and bookkeeping functions while coordinating professional services customized to the client's needs.



Strategic Business Planning that is collaborative, integrated, and bespoke.

Praestans Tax / Praestans Global Advisors is neither a law firm nor a CPA firm.

Praestans Tax Services LLC is the Tax Division of Praestans Global Advisors. Praestans Tax Services focuses on providing comprehensive tax planning, compliance, and tax preparation services to small to mid-size businesses, trusts and estates, individuals, and family offices.

[Praestans Global Advisors](#) provides collaborative, coordinated, integrated, strategic, and customized professional services customized to our clients' needs. Our services include accounting, bookkeeping, and financial services; tax services; crypto tax, accounting, and funds; fund administration; domestic and international business consulting; and mergers and acquisitions due diligence. Through our association with [Integra International](#), we can provide coordinated services to include business valuation and audit and other professional services worldwide.

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